

# U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Statement of Secretary Lew for the Development Committee

10/10/2015

LIMA, PERU – We thank our gracious host, the Government of Peru, for welcoming us to the vibrant city of Lima for this year's Annual Meetings of the World Bank and the International Monetary Fund. We congratulate Minister Brodjonegoro on his election as Chair of this Committee and thank Mr. Belka for his leadership over the past four years.

While the U.S. economy continues to strengthen, and favorable underlying fundamentals suggest economic growth will remain strong during the latter part of 2015 and through the end of 2016, global growth is falling short. It is vital that we commit to boosting global demand to benefit all. We must recognize that policies to promote inclusive growth both within our own economies and across countries are essential to global prosperity and stability.

Economic uncertainty and conflict have exacerbated the largest refugee movements in 70 years, exacting a tremendous human toll along with social and economic costs that will take years to recover. Daily reminders of human suffering triggered by this crisis underscore the need to invest in and preserve the fundamental building blocks of a stable society, including strong institutions and accountable governments.

### The Promise Ahead: New Global Goals

Just two weeks ago, the international community embraced a new, transformative development agenda through the Sustainable Development Goals (SDGs). The SDGs bring a welcome focus on governance, along with other quality of life indicators that underpin human dignity and shared prosperity. We support the ambitious, integrated, and comprehensive approach to development. Under President Kim's leadership, the World Bank has adopted strategic goals and a new operational model that are well aligned with the SDGs, enabling the World Bank to continue to play a vital role in helping countries establish and pursue their sustainable development objectives.

The 2030 Agenda for Sustainable Development is universal. Successful implementation will require strong collective action to deliver on a vision of creating a social safety net that will leave no one behind, while simultaneously creating the foundation for countries to propel themselves into a fundamentally better socio-economic status. We are justifiably pleased that the world succeeded in halving the number of people living in extreme poverty. However, progress has been uneven, and extreme poverty remains pervasive in many countries.

Updated figures on the number of poor, along with a new World Bank measurement that captures the depth of poverty, underscore the scale of the poverty challenge, especially in Sub Saharan Africa and fragile and conflict-affected states around the world. Moreover, data suggest that even if recent growth rates are sustained—rates that are already under stress—we can expect fewer people to be lifted out of poverty because so many of the remaining poor live so far below the poverty line. The only acceptable path forward is to intensify our efforts to reach the poorest and most vulnerable.

We are encouraged by declining levels of inequality in key countries, particularly in Latin America. Indeed, countries that are aiming to climb the income ladder should take note of evidence showing that no country has moved beyond middle-income status while maintaining high levels of inequality. Inequality has a particularly damaging impact on women. It is impossible to overstate the importance of women's economic participation in societies and of effective integration of gender in national development plans. Closing the gender gap in education, for example, is critical for reducing poverty and child mortality. Only by providing women safe environments and access to decent jobs can an economy hope to reach its full potential. Unfortunately, barriers to gender parity remain widespread and deeply entrenched. We look forward to the adoption and implementation of a robust gender strategy at the World Bank later this year, and hope that it will serve as a high quality benchmark for other development institutions.

### All Development Must Be Sustainable Development

We commend the focus of the SDGs on climate action and the environment, including access to renewable energy, resilient infrastructure, climate smart agriculture, and more responsible resource use. Development plans that do not adequately consider environmental impacts carry a high price. We urge countries to consider the significant human costs of pollution and environmental degradation, which disproportionately affect the poor and most vulnerable, undermine sustainable development, and threaten to undo progress in the fight against poverty.

We look forward to a successful outcome at the upcoming United Nations Framework Convention on Climate Change negotiations in Paris. This week, the OECD estimated that in 2014, six years before the 2020 goal, climate finance from developed to developing countries reached \$62 billion. This is significant progress toward the \$100 billion goal and helps build confidence that climate finance is flowing and continues to increase. However, we need to do more. We commend the World Bank and the regional development banks for setting and announcing ambitious targets for climate finance, and we encourage the banks to make the institutional changes necessary to make these targets a reality.

In support of a sustainable development path, we reaffirm our commitment to effectively mitigating the environmental and social risks of World Bank projects, while concurrently bolstering their beneficial environmental and social outcomes. We support the inclusion of new issues in the World Bank's draft Environmental and Social Framework, including a stronger focus on vulnerable groups, assessment of the impacts of climate change, labor protection, and a recognition of the intersection of development and human rights. During the upcoming consultation period we will focus on both the substance of the Framework as well as the World Bank's plans for implementing the Framework. It is essential that the World Bank provide the resources needed to assure that the safeguards are fully and effectively implemented.

### A New Ambitious Development Finance Framework for a New Ambitious Development Agenda

We urge the World Bank to fully integrate the approaches embedded in the Addis Ababa Action Agenda (the new framework for financing the SDGs) into how the Bank works with countries. The World Bank has a key role to play in helping countries mobilize their own domestic resources, attract private financing, develop sound policy and regulatory environments, and tap into the power of science, technology, and data.

We look forward to a robust World Bank-International Monetary Fund partnership that moves the domestic resource mobilization initiative forward. We encourage the World Bank to lead efforts to catalyze flows from the private sector, which can be an engine of development. We urge the World Bank to place a special focus on new and innovative mechanisms to address market failures, even in the most difficult fragile contexts.

We welcome the World Bank's commitment to investing in evidence, including by building data capacity in developing countries. The United States relies heavily on timely and reliable data to successfully craft and implement domestic policy. A key component of the World Bank effort should be to encourage countries to prioritize investments in data as they seek to implement the SDGs and assess progress in meeting these goals.

The effective use of evidence also requires an institutional culture that nurtures and supports the free flow of knowledge about both successes and failures. We strongly support maintaining a world-class Independent Evaluation Group and call for the considered implementation of the recommendations of the recent external review of this Group. We urge the World Bank Board of Directors to keep a keen focus on this issue.

#### Preparing for the Future

We look forward to the upcoming 18th replenishment of the International Development Association (IDA). IDA's continued focus on the world's poorest countries is critical to eliminating extreme poverty and promoting shared prosperity. IDA's assistance remains among the primary sources of development finance for low-income and fragile and conflict-affected states.

We welcome the exploration of ways to better leverage IDA resources as part of overall efforts to optimize the balance sheets of multilateral development banks. We look forward to working closely with World Bank management and other shareholders, equipped with the critical details that underpin the proposed reforms, in order to make decisions that are both bold and responsible. It is essential that IDA remains true to its mission of serving the world's poorest countries.

Finally, we support the roadmap to implement the 2015 shareholding review.

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